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LOCAL AUDIT & FINANCE DIV.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan
11-1200
GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

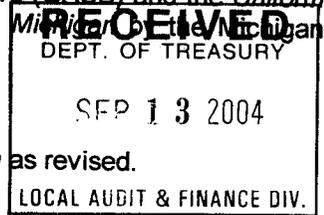
Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Three Oaks	County Berrien
Audit Date March 31, 2004	Opinion Date August 16, 2004	Date Accountant Report Submitted to State: August 16, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan*, Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- yes no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- yes no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- yes no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- yes no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- yes no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- yes no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- yes no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- yes no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- yes no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>			

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

August 16, 2004

To the Township Board
Township of Three Oaks
Berrien County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Three Oaks, Berrien County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Three Oaks' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Three Oaks, Berrien County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Three Oaks, Berrien County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Group</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	<u>General Fixed Assets</u>
<u>Assets</u>				
Cash in bank	1 272 930 00	271 888 98	1 00	-
Taxes receivable	3 375 97	4 643 94	-	-
Accounts receivable	80 541 42	-	-	-
Due from other funds	1 024 75	-	-	-
Due from other units	251 513 69	-	-	-
Land	-	-	-	-
Buildings	-	-	-	225 046 00
Equipment	-	-	-	740 065 27
	-	-	-	455 961 30
Total Assets	<u>1 609 385 83</u>	<u>276 532 92</u>	<u>1 00</u>	<u>1 421 072 57</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	-	1 023 75	1 00	-
Accounts payable	3 177 90	-	-	-
Total liabilities	<u>3 177 90</u>	<u>1 023 75</u>	<u>1 00</u>	<u>-</u>
Fund equity:				
Investment in general fixed assets	-	-	-	1 421 072 57
Fund balances:				
Unreserved:				
Undesignated	1 606 207 93	275 509 17	-	-
Total fund equity	<u>1 606 207 93</u>	<u>275 509 17</u>	<u>-</u>	<u>1 421 072 57</u>
Total Liabilities and Fund Equity	<u>1 609 385 83</u>	<u>276 532 92</u>	<u>1 00</u>	<u>1 421 072 57</u>

The accompanying notes are an integral part of these financial statements.

Total
(Memorandum
Only)

1 544 819 98
8 019 91
80 541 42
1 024 75
251 513 69
225 046 00
740 065 27

455 961 30

3 306 992 32

1 024 75
3 177 90

4 202 65

1 421 072 57

1 881 717 10

3 302 789 67

3 306 992 32

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 1

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Revenues:			
Property taxes	47 623 35	84 600 19	132 223 54
Licenses and permits	183 00	14 438 25	14 621 25
Penal fines	-	59 466 54	59 466 54
State revenue sharing	76 868 00	7 366 50	84 234 50
Charges for services:			
Landfill	609 747 11	-	609 747 11
Fire	36 160 00	-	36 160 00
Property tax administration	14 665 85	-	14 665 85
Interest	14 335 49	2 748 69	17 084 18
Miscellaneous	41 634 89	10 905 85	52 540 74
Total revenues	841 217 69	179 526 02	1 020 743 71
Expenditures:			
Legislative:			
Township Board	12 439 88	-	12 439 88
General government:			
Supervisor	27 462 00	-	27 462 00
Elections	884 14	-	884 14
Accounting	5 810 00	-	5 810 00
Assessor	629 00	-	629 00
Attorney	7 715 15	-	7 715 15
Clerk	15 707 32	-	15 707 32
Board of Review	1 672 74	-	1 672 74
Treasurer	19 257 81	-	19 257 81
Building and grounds	17 678 73	-	17 678 73
Cemetery	33 832 48	-	33 832 48
Public safety:			
Fire protection	79 820 65	-	79 820 65
Protective inspection	-	14 345 50	14 345 50
Planning and zoning	22 471 02	-	22 471 02
Police protection	40 583 29	-	40 583 29
Ambulance	54 000 00	-	54 000 00
Public works:			
Industrial park	9 850 00	-	9 850 00

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Expenditures: (continued)			
Recreation and culture:			
Parks and recreation	500 00	-	500 00
Library	-	95 956 40	95 956 40
Other:			
Insurance	13 299 00	-	13 299 00
Payroll taxes	9 175 26	-	9 175 26
Capital outlay	84 408 27	475 00	84 883 27
Debt service	158 110 47	-	158 110 47
	<u>615 307 21</u>	<u>110 776 90</u>	<u>726 084 11</u>
Total expenditures			
Excess of revenues over expenditures	<u>225 910 48</u>	<u>68 749 12</u>	<u>294 659 60</u>
Other financing sources (uses):			
Operating transfers in	35 903 88	-	35 903 88
Operating transfers out	-	(35 903 88)	(35 903 88)
Total other financing sources (uses)	<u>35 903 88</u>	<u>(35 903 88)</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	261 814 36	32 845 24	294 659 60
Fund balances, April 1	<u>1 344 393 57</u>	<u>242 663 93</u>	<u>1 587 057 50</u>
Fund Balances, March 31	<u>1 606 207 93</u>	<u>275 509 17</u>	<u>1 881 717 10</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT C
Page 1

	General Fund		Over (Under) Budget
	Budget	Actual	
Revenues:			
Property taxes	51 000 00	47 623 35	(3 376 65)
Licenses and permits	-	183 00	183 00
Penal fines	-	-	-
State revenue sharing	80 000 00	76 868 00	(3 132 00)
Charges for services:			
Landfill	635 000 00	609 747 11	(25 252 89)
Fire	35 000 00	36 160 00	1 160 00
Property tax administration	19 200 00	14 665 85	(4 534 15)
Interest	24 000 00	14 335 49	(9 664 51)
Miscellaneous	11 100 00	41 634 89	30 534 89
Total revenues	855 300 00	841 217 69	(14 082 31)
Expenditures:			
Legislative:			
Township Board	13 500 00	12 439 88	(1 060 12)
General government:			
Supervisor	27 400 00	27 462 00	62 00
Elections	1 500 00	884 14	(615 86)
Accounting	6 500 00	5 810 00	(690 00)
Assessor	1 550 00	629 00	(921 00)
Attorney	6 550 00	7 715 15	1 165 15
Clerk	16 200 00	15 707 32	(492 68)
Board of Review	900 00	1 672 74	772 74
Treasurer	18 480 00	19 257 81	777 81
Building and grounds	23 560 00	17 678 73	(5 881 27)
Cemetery	23 630 00	33 832 48	10 202 48
Public safety:			
Fire protection	100 000 00	79 820 65	(20 179 35)
Protective inspection	-	-	-
Planning and zoning	28 000 00	22 471 02	(5 528 98)
Police protection	40 000 00	40 583 29	583 29
Ambulance	54 000 00	54 000 00	-

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
24 400 00	84 600 19	60 200 19
10 000 00	14 438 25	4 438 25
62 700 00	59 466 54	(3 233 46)
-	7 366 50	7 366 50
-	-	-
-	-	-
-	-	-
-	2 748 69	2 748 69
-	<u>10 905 85</u>	<u>10 905 85</u>
<u>97 100 00</u>	<u>179 526 02</u>	<u>82 426 02</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
10 000 00	14 345 50	4 345 50
-	-	-
-	-	-
-	-	-

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C

Page 2

	General Fund		
	Budget	Actual	Over (Under) Budget
Expenditures: (continued)			
Public works:			
Highways and streets	-	-	-
Drains	1 000 00	-	(1 000 00)
Industrial park	-	9 850 00	9 850 00
Culture and recreation:			
Parks and recreation	10 000 00	500 00	(9 500 00)
Library	-	-	-
Other:			
Insurance	8 000 00	13 299 00	5 299 00
Payroll taxes	6 000 00	9 175 26	3 175 26
Capital outlay	177 000 00	84 408 27	(92 591 73)
Debt service	5 500 00	158 110 47	152 610 47
	<u>569 270 00</u>	<u>615 307 21</u>	<u>46 037 21</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>286 030 00</u>	<u>225 910 48</u>	<u>(60 119 52)</u>
Other financing sources (uses):			
Operating transfers in	-	35 903 88	35 903 88
Operating transfers out	(125 600 00)	-	125 600 00
Total other financing sources (uses)	<u>(125 600 00)</u>	<u>35 903 88</u>	<u>161 503 88</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	160 430 00	261 814 36	101 384 36
Fund balances, April 1	<u>16 155 00</u>	<u>1 344 393 57</u>	<u>1 328 238 57</u>
Fund Balances, March 31	<u>176 585 00</u>	<u>1 606 207 93</u>	<u>1 429 622 93</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
150 000 00	-	(150 000 00)
-	-	-
-	-	-
-	-	-
62 700 00	95 956 40	33 256 40
-	-	-
-	-	-
-	475 00	475 00
-	-	-
<u>222 700 00</u>	<u>110 776 90</u>	<u>(111 923 10)</u>
<u>(125 600 00)</u>	<u>68 749 12</u>	<u>194 349 12</u>
125 600 00	-	(125 600 00)
-	(35 903 88)	(35 903 88)
<u>125 600 00</u>	<u>(35 903 88)</u>	<u>(161 503 88)</u>
-	32 845 24	32 845 24
-	<u>242 663 93</u>	<u>242 663 93</u>
-	<u>275 509 17</u>	<u>275 509 17</u>

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Three Oaks, Berrien County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Three Oaks. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection and the Agency Funds are used to account for assets held as an agent for others.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 2.0711 mills and the taxable value was \$65,032,597.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated five banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 2 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	Carrying Amounts
Total Deposits	1 544 819 98

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	Bank Balances
Insured (FDIC)	500 000 00
Uninsured and Uncollateralized	1 145 691 45
Total Deposits	1 645 691 45

The Township of Three Oaks did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance 4/1/03	Additions	Deletions	Balance 3/31/04
Land	225 046 00	-	-	225 046 00
Buildings	663 149 00	76 916 27	-	740 065 27
Equipment	523 053 00	8 008 30	75 100 00	455 961 30
Total	1 411 248 00	84 924 57	75 100 00	1 421 072 57

Note 4 – Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	Balance 4/1/03	Additions	Deductions	Balance 3/31/04
Library Building Loan	155 080 00	-	155 080 00	-

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	149 97	Building	149 97
General	873 78	Library	873 78
General	<u>1 00</u>	Current Tax Collection	<u>1 00</u>
Total	<u>1 024 75</u>	Total	<u>1 024 75</u>

Note 6 – Retirement Plan

The Township of Three Oaks does not have a retirement plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Transfers In and Transfers Out

For the fiscal year ended, March 31, 2004, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	<u>35 903 88</u>	Library	<u>35 903 88</u>
Total	<u>35 903 88</u>	Total	<u>35 903 88</u>

Note 9 – Building Permits

As of March 31, 2004, the Township had building permit revenues of \$14,453.06 and building permit expenses of \$14,345.00.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 10 – Budget Variances

Township expenditures exceeded budgeted amounts for the fiscal year ended March 31, 2004, as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Budget Variance</u>
General Fund Activity:			
Supervisor	27 400 00	27 462 00	62 00
Board of Review	900 00	1 672 74	772 74
Treasurer	18 480 00	19 257 81	777 81
Cemetery	23 630 00	33 832 48	10 202 48
Police protection	40 000 00	40 583 29	583 29
Industrial park	-	9 850 00	9 850 00
Insurance	8 000 00	13 299 00	5 299 00
Payroll taxes	6 000 00	9 175 26	3 175 26
Debt service	5 500 00	158 110 47	152 610 47
Building Fund Activity:			
Protective inspection	10 000 00	14 345 50	4 345 50
Library Fund:			
Library	62 700 00	95 956 40	33 256 40
Capital outlay	-	475 00	475 00

Note 11 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 1

Township Board:	
Wages	2 800 00
Supplies	1 290 39
Miscellaneous	8 349 49
	<u>12 439 88</u>
Supervisor:	
Salary	<u>27 462 00</u>
Elections:	
Wages	362 50
Supplies	182 08
Miscellaneous	339 56
	<u>884 14</u>
Accounting	<u>5 810 00</u>
Assessor:	
Supplies	<u>629 00</u>
Attorney	<u>7 715 15</u>
Clerk:	
Salary	14 068 04
Supplies	216 95
Travel	407 96
Miscellaneous	1 014 37
	<u>15 707 32</u>
Board of Review:	
Wages	75 00
Supplies	1 597 74
	<u>1 672 74</u>
Treasurer:	
Salary	12 612 69
Supplies	1 346 22
Travel	41 26
Miscellaneous	5 257 64
	<u>19 257 81</u>
Building and grounds:	
Wages	600 00
Repairs and maintenance	4 771 26
Utilities	4 274 17
Miscellaneous	8 033 30
	<u>17 678 73</u>

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 2

Cemetery:		
Wages		29 401 40
Supplies		2 751 81
Miscellaneous		<u>1 679 27</u>
		<u>33 832 48</u>
Fire protection:		
Wages		43 490 03
Insurance		12 738 00
Utilities		5 051 99
Supplies		3 324 63
Repairs and maintenance		11 841 79
Miscellaneous		<u>3 374 21</u>
		<u>79 820 65</u>
Planning and zoning:		
Supplies		1 221 00
Meetings		1 440 00
Miscellaneous		<u>19 810 02</u>
		<u>22 471 02</u>
Police protection:		
Contracted services		<u>40 583 29</u>
Ambulance:		
Contracted services		<u>54 000 00</u>
Industrial park		<u>9 850 00</u>
Parks and recreation:		
Miscellaneous		<u>500 00</u>
Insurance		<u>13 299 00</u>
Payroll taxes		<u>9 175 26</u>
Capital outlay		<u>84 408 27</u>
Debt service		<u>158 110 47</u>
Total Expenditures		<u>615 307 21</u>

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS EXHIBIT E
March 31, 2004

	<u>Roads and Bridges</u>	<u>Building</u>	<u>Library</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	114 709 35	2 610 30	154 569 33	271 888 98
Taxes receivable	<u>1 275 52</u>	<u>-</u>	<u>3 368 42</u>	<u>4 643 94</u>
Total Assets	<u><u>115 984 87</u></u>	<u><u>2 610 30</u></u>	<u><u>157 937 75</u></u>	<u><u>276 532 92</u></u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	-	149 97	873 78	1 023 75
Total liabilities	<u>-</u>	<u>149 97</u>	<u>873 78</u>	<u>1 023 75</u>
Fund balances:				
Unreserved:				
Undesignated	115 984 87	2 460 33	157 063 97	275 509 17
Total fund balances	<u>115 984 87</u>	<u>2 460 33</u>	<u>157 063 97</u>	<u>275 509 17</u>
Total Liabilities and Fund Balances	<u><u>115 984 87</u></u>	<u><u>2 610 30</u></u>	<u><u>157 937 75</u></u>	<u><u>276 532 92</u></u>

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS EXHIBIT F
Year Ended March 31, 2004

	Roads and Bridges	Building	Library	Total
Revenues:				
Property taxes	23 246 23	-	61 353 96	84 600 19
Licenses and permits	-	14 438 25	-	14 438 25
State shared revenue	-	-	7 366 50	7 366 50
Penal fines	-	-	59 466 54	59 466 54
Interest	772 07	14 81	1 961 81	2 748 69
Miscellaneous	-	-	10 905 85	10 905 85
	<u>24 018 30</u>	<u>14 453 06</u>	<u>141 054 66</u>	<u>179 526 02</u>
Total revenues				
Expenditures:				
Public safety:				
Protective inspection	-	14 345 50	-	14 345 50
Culture and recreation:				
Library	-	-	95 956 40	95 956 40
Capital outlay	-	-	475 00	475 00
	<u>-</u>	<u>14 345 50</u>	<u>96 431 40</u>	<u>110 776 90</u>
Total expenditures				
Excess of revenues over expenditures	<u>24 018 30</u>	<u>107 56</u>	<u>44 623 26</u>	<u>68 749 12</u>
Other financing sources (uses):				
Operating transfers out	-	-	(35 903 88)	(35 903 88)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(35 903 88)</u>	<u>(35 903 88)</u>
Excess of revenues and other sources over expenditures and other uses	24 018 30	107 56	8 719 38	32 845 24
Fund balances, April 1	<u>91 966 57</u>	<u>2 352 77</u>	<u>148 344 59</u>	<u>242 663 93</u>
Fund Balances, March 31	<u>115 984 87</u>	<u>2 460 33</u>	<u>157 063 97</u>	<u>275 509 17</u>

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES – ALL AGENCY FUNDS
Year Ended March 31, 2004

EXHIBIT G

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in bank	221 57	1 425 918 89	1 426 139 46	1 00
Total Assets	<u>221 57</u>	<u>1 425 918 89</u>	<u>1 426 139 46</u>	<u>1 00</u>
<u>Liabilities</u>				
Due to other funds	221 57	138 936 65	139 157 22	1 00
Due to others	-	1 286 982 24	1 286 982 24	-
Total Liabilities	<u>221 57</u>	<u>1 425 918 89</u>	<u>1 426 139 46</u>	<u>1 00</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in bank	-	1 584 00	1 584 00	-
Total Assets	<u>-</u>	<u>1 584 00</u>	<u>1 584 00</u>	<u>-</u>
<u>Liabilities</u>				
Due to other funds	-	261 50	261 50	-
Due to others	-	1 322 50	1 322 50	-
Total Liabilities	<u>-</u>	<u>1 584 00</u>	<u>1 584 00</u>	<u>-</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in bank	221 57	1 427 502 89	1 427 723 46	1 00
Total Assets	<u>221 57</u>	<u>1 427 502 89</u>	<u>1 427 723 46</u>	<u>1 00</u>
<u>Liabilities</u>				
Due to other funds	221 57	139 198 15	139 418 72	1 00
Due to others	-	1 288 304 74	1 288 304 74	-
Total Liabilities	<u>221 57</u>	<u>1 427 502 89</u>	<u>1 427 723 46</u>	<u>1 00</u>

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

CURRENT TAX COLLECTION FUND STATEMENT
OF CASH RECEIPTS AND DISBURSEMENTS

EXHIBIT H

Year Ended March 31, 2004

Cash in bank – beginning of year	<u>221 57</u>
Cash receipts:	
Property tax	1 411 897 92
Property tax administration fees	13 897 30
Interest	<u>123 67</u>
Total cash receipts	<u>1 425 918 89</u>
Total beginning balance and cash receipts	<u>1 426 140 46</u>
Cash disbursements:	
Township General Fund	59 211 65
Township Library Fund	57 985 54
Township Roads and Bridges Fund	21 960 03
Berrien County	647 476 58
State of Michigan	9 115 09
Berrien County ISD	148 420 41
Village of Three Oaks	46 828 52
River Valley Schools	320 839 81
Lake Michigan College	109 763 50
Refunds	<u>4 538 33</u>
Total cash disbursements	<u>1 426 139 46</u>
Cash in Bank – End of Year	<u>1 00</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS



August 16, 2004

To the Township Board
Township of Three Oaks
Berrien County, Michigan

We have audited the financial statements of the Township of Three Oaks, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Three Oaks in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Three Oaks
Berrien County, Michigan

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Three Oaks
Berrien County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Three Oaks will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants